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SUBJECT: FRENCH FIRM PROJECT TO REHAB BERBERA

¶1. (SBU) At a September 16 dinner organized by the French Ambassador, representatives of the French firm Bollore Group briefed the British, EU, and U.S. heads of mission on a proposal to rehabilitate and operate the port of Berbera in Somaliland. The Bollore Group representatives reported that the proposal had been in development for months, and that a draft of their final proposal had been presented to Somaliland President H.E. Dahir Rayaale Kahin earlier that day. The company representatives and the French Ambassador also indicated that the proposal has the firm backing of the Ethiopian government, including PM Meles.

¶2. (SBU) In brief, the Bollore Group proposes substantial investment to rehabilitate Berbera's port infrastructure including quays, storage, equipment, and organizational overhead and systems, with subsequent operations of the port to be handled by a new company with equity shares held by the Bollore Group, the Somaliland government through the Berbera Port Authority, and the Ethiopian government. While the company representatives were vague regarding specific shareholding arrangements, they indicated that the Bollore Group would hold a sufficient percentage as to assure management control and sound commercial practices. (Comment: The implication of the presentation was that negotiations remained regarding specific share interests. End comment.) The company indicated that their business plan was based on a goal of attracting 30 percent of the traffic in the area over 10 years, primarily consisting of imports to Ethiopia with some export traffic, in direct competition to the area's current primary port in Djibouti. The Bollore Group already operates or supports a number of African ports, and through the new Berbera port company would help facilitate customs and transit procedures in Berbera and Ethiopia, the latter with support of a &dry port facility to be built at or near the border. As well, the Bollore Group will help develop a commercial and marketing strategy for the port and transit corridor.

¶3. (SBU) In response to questions, the company representatives were very firm that insurance rates had already been secured through Lloyds that would provide adequate coverage at competitive rates, and they appeared confident that they would be able to match or beat Djibouti port rates and services relative to Ethiopian traffic. Among other items, they noted a commitment to provide priority berthing to respond to Ethiopian Shipping Lines (a state-owned enterprise) recommendations to ensure good Ethiopian shipping services.

¶4. (SBU) Discussions suggested the two major risk considerations for the Bollore Group were adequate security conditions to be provided to the port, apparently largely to

be supplied by the Somaliland government, and the road running to the Ethiopian border. The Bollore representatives reported they had undertaken an assessment of the road, and it would clearly need upgrading and reinforcement to handle effectively the anticipated traffic loads. Development of the road was not included in the Bollore proposal, with the suggestion that the Group was looking to potential donor funding, specifically European Union financing, for this project.

¶5. (SBU) The Bollore Group's proposals were supported by extensive documentation and plans. The group reported strong support in Somaliland and Addis Ababa, and they appealed for general support for the project by European and American governments.

¶6. (SBU) Comment: Obviously the idea of a viable second ocean port outlet would be appealing to the GOE. Enthusiasm in Addis for the project would be fairly easy to generate, particularly if such support came at low financial or other risk to the GOE, which would seem to be the case. Likewise, if successful the port operation would almost certainly become the primary source of revenue to the Somaliland government, presumably with attendant support from that quarter. It is unclear what significant commercial arrangements would remain to be negotiated beyond the specific share composition of the new port operating company, but the Bollore company representatives did not appear particularly concerned on that score. The major remaining variables clearly center on minimally acceptable security conditions, and the corridor road development. In fact, the

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Managing Director of Ethiopian Shipping Lines recently expressed concerns about these two issues to Embassy officers. If the latter is assured by the EU and/or other donors, the major remaining factor would seem to be an assessment of security conditions. The Bollore Group reps indicated the Group is no stranger to questionable operating environments in Africa, including security issues, but the Group obviously still is keeping an eye on this area. No specific requests were addressed to the U.S. government during the presentation, although EU support for the road, and active British support were clearly desired. End comment.

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